

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6925**

**BILL NUMBER:** SB 435

**NOTE PREPARED:** Jan 6, 2009

**BILL AMENDED:**

**SUBJECT:** Levy appeals for townships.

**FIRST AUTHOR:** Sen. Zakas

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill reinstates the levy appeal for townships that have been required to borrow for firefighting on an emergency basis in the three previous years. It provides that the maximum amount of the levy increase is the average (rather than the lowest amount) of the amounts borrowed for firefighting on an emergency basis in the three previous years. The bill specifies that if a township is granted such a levy increase for property taxes due in a particular year, the township may not in the three years following that year borrow funds on an emergency basis to furnish fire protection.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, townships may borrow money for firefighting operating expenses if the township's legislative body determines that there is an emergency. This determination and the subsequent loan request must be made on an annual basis, if needed. By contrast, the maximum levy adjustment that would be allowed by this bill would be the township's base for future years' maximum levies.

Under this proposal and beginning with taxes payable in 2010, a township could request an increase in the maximum levy for the township fire fund if the township has borrowed money to pay for fire protection for the three consecutive preceding years. The amount of the increase that could be granted would be limited

to the average of the previous three years' loan amounts. A township may not ask for a maximum levy increase more frequently than every four years. If granted a maximum levy increase, the bill would prohibit the township from receiving any emergency loans for three years.

Townships that would qualify for a maximum levy increase under this bill will have borrowed operating funds over the previous three years and consequently will have also imposed debt service levies. If a township has a recurring need to borrow operating funds then the maximum levy increase allowed by this bill would not represent an increase in the township's overall property tax levy. For these townships, the increase in the Fire Fund levy under this bill would take the place of the Debt Service Fund levy.

Assuming that only townships that have a recurring need to borrow operating funds would be granted a maximum levy increase, this bill would not increase overall property taxes after the first year of the levy limit increase. There would be a levy increase in the first year that the appeal is granted because the firefighting levy would be raised and the township would have to levy to pay the previous year's loan. After the first year, townships may be able to reduce expenses and overall property tax levies with the elimination of interest on fire operating debt.

The number of townships that will have to borrow operating funds in the future and the amount that they will borrow is unknown. Therefore, the number of townships that might be eligible for a maximum levy increase is also unknown. The state's Local Government Property Tax Control Board and the Department of Local Government Finance (DLGF) would determine the amount, if any, of the additional levy authority. The new maximum levy would be the township's base for future years.

The actual fiscal impact depends on local action and action by the Control Board and the DLGF.

**State Agencies Affected:** Local Government Property Tax Control Board; Department of Local Government Finance.

**Local Agencies Affected:** Townships.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.